



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA  
Chief Executive Officer

April 9, 2010

To: Supervisor Gloria Molina, Chair  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name of the Chief Executive Officer.

Board of Supervisors  
GLORIA MOLINA  
First District

MARK RIDLEY-THOMAS  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

## **PROBATION DEPARTMENT PRELIMINARY BUDGET ASSESSMENT (ITEM 17, AGENDA OF MARCH 23, 2010 – CONTINUED FROM MARCH 16, 2010, MEETING)**

In a March 23, 2010, report to your Board, which reconciled motions previously presented by Supervisors Ridley-Thomas, Yaroslavsky, and Antonovich, the Chief Executive Officer (CEO) committed to providing a preliminary assessment of the areas targeted for budgetary review in two weeks. In keeping with this commitment, provided herein is a brief description of preliminary budget findings, a brief overview of the approach being used to conduct a comprehensive fiscal review, and preliminary strategies to address budgetary and programmatic concerns.

### **Preliminary Budgetary Findings**

Although the Probation Department (Department) originally projected an overall structural shortfall of approximately \$51.2 million for the current year, the projection has decreased to approximately \$36.5 million based upon current information. Eighty (80) percent of the shortfall is attributable to a projected under realization of vehicle license fee revenue. Other factors contributing to the projected shortfall include unavoidable costs increases and over-expenditures in salary and employee benefits (e.g., over hires). Please note that this projection is subject to change as additional information becomes known.

### **Fiscal Review Approach**

The Department, in conjunction with the CEO and Auditor-Controller, is in the beginning stages of conducting a critical, comprehensive fiscal review to mitigate known budget concerns. The review entails the following:

- Detailed comparison of actual expenditures incurred from July 2009 to date for salaries and employee benefits and services and supplies to authorized budget amounts. This includes a review of financial transactions posted to the County's financial and budget systems and internal Departmental records.
- Variance analysis of budgeted revenues and expenditures to actuals at both a summary and bureau/major program level.
- Reconciliation of the item control to identify staff assignments. Compare actual assignment to authorized budgeted assignment and identify any potential issues.
- Fourth quarter projections based on current known information and relevant past historical trends.
- Evaluation of current budgetary and fiscal processes and internal controls.
- Evaluation of the various units' responsibilities in budget and fiscal operations.
- Identification and prioritization of critical areas, budgetary and programmatic, that require immediate attention.

### **Preliminary Budgetary Strategies**

While there are a number of potential changes and efficiencies to consider in addressing the budget, operational, and programmatic concerns, we have identified the following preliminary strategies which we have already begun to or will explore to achieve real dollar savings, improve fiscal operations, and ultimately prevent the projected shortfall from recurring in Fiscal Year 2010-11.

### **Revenue Solutions:**

- Increase revenue maximization activities (e.g., consider creating a Revenue Enhancement Unit that can work effectively with both Program and Budget/Fiscal staff).
- Identify and explore revenue opportunities. Thus far, the following have been identified as part of this effort:
  - I. Medi-Cal Administrative Activities - Federal funding to reimburse costs for outreach and access services for Medi-Cal children and families.

II. CAL EMA Grant - One-time grant funding to support evidenced based Department supervised programs.

III. SB678 - State funding as a result of the Department reducing the number of adult probationers referred to the California Department of Corrections.

IV. Temporary Assistance for Needy Families – Emergency Contingency Fund one-time funding for program costs related to juvenile probationer programs.

- Review claiming process to determine whether all opportunities to recover cost have occurred.

Budget Process Improvements:

- Develop and implement administrative processes and procedures to increase the integrity of budgetary information and financial transactions.
- Improve overall budget process and refine the manner in which budget estimates are prepared, monitored, and reported.
- Systematically review and reengineer work tools used to track, monitor, and communicate budget information.

Strengthen Internal Controls:

- Streamline, monitor, and standardize purchases of services and supplies.
- Enhance and monitor financial controls over budget, fiscal, and contracting operations.
- Enhance internal procedures to effectively control and monitor spending.
- Strengthen procedures over procurement operations, including compliance with County fiscal and purchasing policies.

Enhance Management Oversight:

- Strengthen management oversight and accountability over spending and operating within defined budget constraints.

Communication Improvements:

- Encourage teamwork and proactive approaches to solving budgetary and fiscal issues.
- Improve communication between operational and administrative staff.
- Ensure that program managers are aware of their operating budgets.

Staff Resource Review / Modifications:

- Instituted a temporary internal freeze of all staff transfers/movements, with exceptions allowed only after a critical need is justified, on a case-by-case basis, and approved by the Department Head.
- Develop a corrective action plan to address identified staffing issues (e.g., over hires).
- Reviewing the possibility of consolidating camp operations and staffing.
- Bring in additional expertise in budget/fiscal operations.

**Conclusion**

These preliminary assessments and strategies will be adjusted to adequately address additional issues as they arise. Upon completion of the comprehensive fiscal review requested by Supervisor Molina, due on April 27, 2010, and the completion of the camp assessment, we will provide your Board with a strategic budget plan, no later than May 18, 2010, with recommendations necessary to address known budgetary, operational, and programmatic issues.

If you have any questions, please contact me or your staff may contact Deputy Chief Executive Officer Jacqueline A. White, Public Safety, at (213) 893-2374.

WTF: BC:JAW  
NH:llm

c: Executive Office, Board of Supervisors  
County Counsel  
Auditor-Controller  
Probation Department